INFORMATION BULLETIN

2009-2

February 5, 2009

Maximum Withdrawal Limit Under the Home Buyers' Plan (HBP) Raised to $25 000

On January 27, 2009, the Minister of Finance of Canada tabled the federal government's 2009 budget. The budget includes a variety of fiscal measures, including an increase in the maximum withdrawal limit under the Home Buyers' Plan (HBP) for any withdrawal made after the date the budget is tabled.

Briefly, the HBP allows an individual to withdraw funds from his registered retirement savings plans (RRSPs), up to the stipulated maximum withdrawal limit, to purchase or build a first home without having to pay tax on the withdrawal. As of the second year following the year of the withdrawal, the funds thus withdrawn must begin to be repaid by instalments into an RRSP over 15 years. If the stipulated amount for a year is not paid into an RRSP, the portion of such amount that was not repaid becomes taxable income.

Before the federal government's last budget, Québec's tax system was generally harmonized with the federal tax system regarding the rules that apply under the HBP. In its budget, the federal government announced that it was raising the maximum withdrawal limit under the HBP from $20 000 to $25 000.

The difference so introduced between the maximum withdrawal limit allowed in Québec under the HBP and the corresponding limit under the federal tax system may give rise to doubt or uncertainty for individuals and financial institutions. In the absence of a harmonization announcement in this regard, any withdrawal under the HBP in excess of $20 000, i.e. the maximum withdrawal limit allowed to date under Québec's tax legislation, remains subject to tax withholding on the amount of such excess.

In this context, and in accordance with the principle of substantial harmonization of the tax provisions relating to the HBP, Québec's tax legislation will be amended to incorporate, with adaptations on the basis of its general principles, the federal measure relating to the increase in the maximum withdrawal limit under the HBP to $25 000.[1]

1. Department of Finance Canada, *Canada's Economic Action Plan, Budget 2009*, January 27, 2009, Annex 5, Tax Measures: Supplementary Information and Notices of Ways and Means Motions, Budget Resolution 5 of the Notice of Ways and Means Motion to Amend the *Income Tax Act*, p. 336.

However, this measure will only be adopted following the assent given to any federal legislation acting on it, taking into account the technical changes that may be made to it before such assent. Lastly, this measure will be applicable on the same dates as under the federal tax system.

Moreover, the decisions concerning the advisability of incorporating, into Québec's tax legislation and regulations, the various other fiscal measures proposed in the 2009 federal budget will be announced as part of the Québec government's next budget speech.

For information on the subject of this Information Bulletin, contact the Secteur du droit fiscal et de la fiscalité at 418 691-2236.

The French and English versions of this bulletin are available on the ministère des Finances website at www.finances.gouv.qc.ca

Paper copies are also available, on request, from the Direction des communications, at 418 528-9323.